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## Clinton's Growing Prescription Drug Plan and the Family Tax Burden

Everyone agrees efforts to address Medicare's long-term fiscal health should include increased healthcare options like a prescription drug benefit. But most observers also agree that adding benefits to Medicare while failing to consider the program's long-term fiscal health is a recipe for disaster.

President Clinton's Medicare proposals do just that. His approach would add a prescription drug benefit on top of the existing Medicare program without regard to the costs or the system's financial health. As such, President Clinton's prescription drug proposal sacrifices the best interests of Medicare, retirees, and working families. Congress can do better.

### Growing Drug Costs

The longer President Clinton pursues a Medicare prescription drug benefit, the more expensive it gets. His original February proposal would have cost working families \$67 billion over the next 10 years. According to the CBO review of the President's most recent plan, it would now cost taxpayers \$310 billion — more than *four times* as much!

The increase can be attributed to two policy changes. First, the President proposes to increase the scope of the prescription drug benefit offered in his February budget. Originally, the plan would subsidize 25 percent of seniors' drug costs up to a specified cap beginning in 2003. Now, the President has added a stop-loss provision and accelerated the program to begin in 2002. Additional price tag: \$168 billion.

Second, Clinton drops the provider payment reductions outlined in his February budget. CBO estimated these lower reimbursements would *reduce* Medicare costs by \$35 billion. Instead, the President now proposes to *increase* Medicare provider payments by \$40 billion. That is, in the four short months since he offered a plan to slow Medicare growth by reducing payment rates to doctors and hospitals, the President has completely reversed himself and now thinks we should *increase* provider payments. Net cost to taxpayers: \$75 billion.

Add them together and the cost of the President's Medicare proposals has grown by \$243 billion in four months. The total cost of the plan is now \$310 billion more than the CBO baseline.

## **Growing Cost to Workers**

The President's about-face on provider payment rates is especially troubling, because it signals his abandonment of anything remotely resembling Medicare reform. It also signals his abandonment of working families who will be paying for his proposals long after he has left office. Congress needs to address the growing concern seniors have with regard to rising prescription drug costs, but the President is asking us to sacrifice young families in process.

Consider the burden Medicare and Social Security already impose on working families. The CBO estimates that Medicare — with its current benefit structure — will cost \$3.2 trillion over the next 10 years. Meanwhile, Social Security benefits will total \$5.4 trillion over the same period. Combined, these two programs will transfer \$8.6 trillion from working families to seniors over the next decade. That's eight-point-six trillion dollars, or about \$215,000 per Medicare-eligible senior. The President's latest Medicare proposal would cost taxpayers an additional \$310 billion — or an additional \$7,750 per eligible senior.

Measured against taxable payroll, Social Security and Medicare spending will grow from about 16 percent of taxable payroll today to 18 percent in 2010. Add in the President's proposals, and the total cost of Social Security and Medicare will be 19 cents of every dollar a wage earner makes in the year 2010. For comparison, seniors receiving Medicare benefits today paid less than 11 percent of their wages into Social Security and Medicare when they were working back in 1970. Fully phased in, the President's new plan results in an almost doubled tax burden on working families today.

## **Comprehensive Reform Must Come First**

As these cost levels demonstrate, there is no such thing as a free lunch. Nor is there a free Medicare benefit. Benefits promised by the President today will be financed by working families tomorrow. The only responsible path to providing a Medicare prescription drug benefit is to do so within the context of comprehensive Medicare reform. Americans want more choices in their Medicare but, unlike the President, they aren't willing to drain the pocketbooks of working families to achieve them.

Congress should look at the total Medicare program, along with its total costs, when creating a benefit to subsidize prescription drug costs. Failure to approach the issue in that manner would amount to a failure to represent the interests of all Americans, young and old, as we move into the next century.

Written by Brian Reardon, 224-2946